

## APPENDIX E

# PRIVATE EXPORT FUNDING CORPORATION PEFCO

## WORKING CAPITAL FACILITY

**Private Export Funding Corporation (“PEFCO”)**, through its **Working Capital Facility**, provides banks and other lenders with a **dependable buyer of working capital loans and standby letters of credit** that are guaranteed against nonpayment by the Export-Import Bank of the United States (“Ex-Im Bank”) under its Working Capital Guarantee.

- Any loan structure acceptable to Ex-Im Bank is eligible for purchase
- Below-prime interest rates
- No minimum loan amount; \$10,000,000 per loan maximum
- All purchases “without recourse”
- One standard master agreement for all purchases
- Lender always services loan and Guarantee

**LIQUIDITY/OVERLINE FORMAT:** the core program of the Working Capital Facility. Used by lenders **to reduce loan portfolio size** or fund liabilities under stand-by letters of credit (“liquidity”), **to extend additional loans** when total exposure to a client is larger than institutional guidelines allow (“overline”), and **to increase ROA** and ROE profitability. PEFCO purchases the 90% guaranteed portion of each disbursement. The lender funds and retains the risk of the unguaranteed portion.

**LENDER-OF-LAST-RESORT FORMAT:** the niche programs of the Working Capital Facility. Used **to support exporters with special needs** and that meet Ex-Im Bank’s eligibility guidelines. For certain loans, Ex-Im Bank increases Guarantee coverage to 100% from 90% and PEFCO purchases the entire loan.

- **Underserved Markets Program:** for small exporters not able to obtain access to a lender and which qualify in one of the following categories: minority or woman ownership, rural or urban development location, or environmental business. Ex-Im Bank waives the \$833,333 minimum loan size for Guarantee eligibility and increases Guarantee coverage to 100%.
- **Accessible Lender Program:** for exporters which have received a commitment for an Ex-Im Bank Working Capital Guarantee but are not able to obtain access to a lender. Ex-Im Bank refers the exporter to PEFCO which introduces them to lenders participating in the Lender-of-Last-Resort program. Ex-Im Bank increases Guarantee coverage to 100%.
- **Extended Loan Backup Program:** for lenders with exporting clients whose inability to repay an existing working capital loan is temporary and which could affect repayment if the repayment term could be extended (e.g., by 6 to 30 months). Ex-Im Bank coverage is unchanged at 90%.

Liquidity/Overline and Lender-of-Last-Resort loans are structurally and administratively identical. Differences relate primarily to loan origination and the percentage of Guarantee coverage.

### ADDITIONAL INFORMATION

**For Liquidity/Overline and Lender-of-Last-Resort Formats:** Interested lenders should contact Alfred F. Daiboch, Director-Small Business at PEFCO in New York City (tel. 212-916-0316).

**For Lender-of-Last-Resort Format:** Interested lenders and exporters should contact the Business Credit Division at the Export-Import Bank in Washington, D.C. (tel. 202-565-3780).



## **ACTION STEPS**

*The Action Steps for Liquidity/Overline and Lender-of-Last-Resort Formats are identical unless specified.*

### **Step 1: Prerequisite document: PEFCO Master Loan Participation Agreement**

**Step 2: Application to Ex-Im Bank** The lender will (i) submit an Ex-Im Bank Application to the Business Credit Division or (ii) approve the credit under Delegated Authority, as appropriate.

#### **Lender-of-Last-Resort Application**

- Underserved Markets Program - **Lender, exporter or agent** submits an Ex-Im Bank Application to Business Credit Division. **Ex-Im Bank** refers the loan to PEFCO.
- Accessible Lender Program - **Exporter** submits an Ex-Im Bank Application to Ex-Im Bank Business Credit Division. **Exporter** takes Ex-Im Bank commitment to lenders for financing. If exporter is rejected by two lenders, **Ex-Im Bank** will refer the loan to PEFCO.
- Extended Loan Backup Program - **Lender** confers with Ex-Im Bank about possible rescheduling strategies.

**Step 3: Application to PEFCO:** Most lenders apply to PEFCO after the Ex-Im Bank Loan Authorization Agreement/Notice has been executed. The PEFCO Commitment Letter is PEFCO's irrevocable commitment to purchase participations in the loan or standby l/c.

**Liquidity/Overline:** No latest application date. PEFCO will accept applications any time, even after the loan has been disbursed.

**Lender-of-Last-Resort:** Ex-Im Bank **Business Credit Division** refers the loan to PEFCO.

- Underserved Markets Program - **Lender** submits a PEFCO Application. If a lender is needed, **PEFCO** will contact a lender working with PEFCO in the program.
- Accessible Lender Program - Same procedures as Underserved Markets Program.
- Extended Loan Backup Program - **Ex-Im Bank** confers with PEFCO. **Lender** submits a PEFCO Application.

**Step 4: PEFCO Purchase:** Procedures are identical for all purchases, including standby letters of credit and Standby L/C Fundings.

- Before each initial purchase, lender submits PEFCO's documentary conditions precedent to PEFCO.
- At each purchase, lender submits two documents to PEFCO: Request to Purchase and Participation Certificate

**Step 5: Loan Servicing:** **Lender** has full responsibility for servicing the loan, including collecting payments and maintaining Guarantee.

## **INTEREST AND FEES**

*Rates as of October 15, 1998*

**PEFCO Interest:** elected from two alternatives.

- **Alternative A:** the lender's prime rate less 1.00% (100 b.p.) and the commitment fee for Alternative A; or
- **Alternative B:** the lender's prime rate less 0.50% (50 b.p.) and the commitment fee for Alternative B.

**PEFCO Commitment Fee:** an annual fee payable on the amount of the PEFCO Committed Facility

- **If Alternative A:** the higher of \$500 or 1/4th of the sum of (i) the lender's fee for the lender committed facility and (ii) the portion of the Ex-Im Bank fee retained by the lender
- **If Alternative B:** the higher of \$500 or 1/8th of the sum of (i) the lender's fee for the lender committed facility and (ii) the portion of the Ex-Im Bank fee retained by the lender

**PEFCO Standby L/C Fee and Interest:** payable on the PEFCO participation

- **Standby L/C Fee:** the higher of \$100 or 1/4th of the lender's standby l/c fee
- **Standby L/C Funding Interest:** the lender's prime rate less 0.50% (50 b.p.)